PONSSE PLC, STOCK EXCHANGE RELEASE, 17 OCTOBER 2017, 9:00 a.m.

PONSSE'S INTERIM REPORT FOR 1 JANUARY – 30 SEPTEMBER 2017

– Net sales amounted to EUR 398.3 (Q1-Q3/2016 349,9) million.

– Q3 net sales amounted to EUR 139.6 (Q3/2016 112,7) million.

– Operating result totalled EUR 46.8 (Q1-Q3/2016 37,0) million, equalling 11.8 (10.6) per cent of net sales.

– Q3 operating result totalled EUR 18.6 (Q3/2016 10,8) million, equalling 13.3 (9.6) per cent of net sales.

– Profit before taxes was EUR 40.4 (Q1-Q3/2016 38,5) million.

– Cash flow from business operations was EUR 20.7 (14.9) million.

– Earnings per share were EUR 1.08 (1.08).

– Equity ratio was 50.2 (47.4) per cent.

– Order books stood at EUR 154.2 (163.2) million.

PRESIDENT AND CEO JUHO NUMMELA:

In the third quarter, demand for PONSSE forest machines was excellent. The order flow was strong, and the value of the order book at the end of the period under review was EUR 154.2 (163.2) million. The Russian market is growing very rapidly, and other markets are also functioning well. The markets in North America, the Nordic countries and Central Europe are in good situations.

During the period under review, the company's turnover was EUR 398.3 (349.9) million, showing growth of 13.8 per cent. In the third quarter, the company's turnover was EUR 139.6 (112.7) million, showing growth of 23.9 percent compared to the comparison period. The quarter was historically strong, with all business areas growing positively. The turnover of the after sales services continued to increase significantly, and that of trade-in machines grew strongly from the year before. International business accounted for 75.9 (77.4) per cent of turnover.

The operating result for the period under review was EUR 46.8 (37.0) million, giving an operating margin of 11.8 (10.6) per cent. The operating result for the third quarter was EUR 18.6 (10.8) million, giving an operating margin of 13.3 (9.6) per cent. The machine and market distribution combined with the heavy growth in all our business areas had a significant impact on profitability. In addition, operating costs were well under control during the quarter.

Cash flow for the period was EUR 20.7 (14.9) million. The stock of trade-in machines is still higher than target level, even though it has decreased as a result of the notable increase in sales.

The factory has been able to improve its productivity during investments, and the number of machines has increased. The general economic recovery has an impact on our supplier network, and component delivery times are increasing.

Our investments are proceeding according to plan. New service centres have been completed in Uruguay and France, and our UK subsidiary's new facilities are ready and will open at the end of the year. The investment for the factory's expansion is on schedule. Construction work is nearly finished, and equipment installation has begun. The added benefits of the expansion will begin to be realised as planned, in the second half of 2018.

NET SALES

Consolidated net sales for the period under review amounted to EUR 398.3 (349.9) million, which is 13.8 per cent more than in the comparison period. International business operations accounted for 75.9 (77.4) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 40.0 (37.7) per cent, Central and Southern Europe 19.1 (21.3) per cent, Russia and Asia 17.7 (14.4) per cent, North and South America 22.6 (25.1) per cent and other countries 0.6 (1.5) per cent.

PROFIT PERFORMANCE

The operating result amounted to EUR 46.8 (37.0) million. The operating result equalled 11.8 (10.6) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 24.8 (27.6) per cent.

Staff costs for the period totalled EUR 57.1 (52.7) million. Other operating expenses stood at EUR 35.0 (32.2) million. The net total of financial income and expenses amounted to EUR -6.5 (1.4) million. Exchange rate gains and losses with a net effect of EUR -5.8 (1.9) million were recognised under financial items for the period. Result for the period under review totalled EUR 30.1 (30.3) million. Diluted and undiluted earnings per share (EPS) came to EUR 1.08 (1.08).

STATEMENT OF FINANCIAL POSITION AND FINANCING ACTIVITIES

At the end of the period under review, the total consolidated statements of financial position amounted to EUR 334.9 (287.7) million. Inventories stood at EUR 136.8 (127.9) million. Trade receivables totalled EUR 43.2 (34.9) million, while liquid assets stood at EUR 24.1 (18.4) million. Group shareholders' equity stood at EUR 162.0 (133.4) million and parent company shareholders' equity (FAS) at EUR 152.2 (127.0) million. The amount of interest-bearing liabilities was EUR 74.2 (69.8) million. The company has used 63 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 94.4 (87.7) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 49.9 (51.3) million, and the debt-equity ratio (net gearing) was 30.8 (38.5) per cent. The equity ratio stood at 50.2 (47.4) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR 20.7 (14.9) million. Cash flow from investment activities came to EUR -25.8 (-17.8) million.

ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 433.4 (364.8) million, while period-end order books were valued at EUR 154.2 (163.2) million.

DISTRIBUTION NETWORK

The parent company Ponsse Plc established a new subsidiary Ponsse Machines Ireland Ltd in Ireland on 13 January 2017.

The subsidiaries included in the Ponsse Group are Ponsse AB, Sweden; Ponsse AS, Norway; Ponssé S.A.S., France; Ponsse UK Ltd, the United Kingdom; Ponsse Machines Ireland Ltd, Ireland, Ponsse North America, Inc., the United States; Ponsse Latin America Ltda, Brazil; Ponsse Uruguay S.A., Uruguay; OOO Ponsse, Russia; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China and Epec Oy, Finland. The Group includes also the property company OOO Ocean Safety Center, Russia. Sunit Oy, Finland, is an associate in which Ponsse Plc has a holding of 34 per cent.

R&D AND CAPITAL EXPENDITURE

Group's R&D expenses during the period under review totalled EUR 10.3 (8.9) million, of which EUR 3.0 (2.5) million was capitalised.

Capital expenditure totalled EUR 25.9 (17.9) million. It consisted in addition to capitalised R&D expenses of investments in buildings and ordinary maintenance and replacement investments for machinery and equipment.

MANAGEMENT

The following persons were members of the Management Team: Juho Nummela, President and CEO, acting as the chairman; Petri Härkönen, CFO; Juha Inberg, Technology and R&D Director; Tapio Mertanen, Service Director; Paula Oksman, HR Director; Tommi Väänänen, Director of Delivery Chain Process and Jarmo Vidgrén, Deputy CEO, Sales and Marketing Director. The company management has regular management liability insurance.

The area director organisation of sales is led by Jarmo Vidgrén, the Group's sales and marketing director, and Tapio Mertanen, service director. Area directors and managing directors of subsidiaries report to Jarmo Vidgrén, Ponsse Plc's sales and marketing director.

Changes took place in the Ponsse sales organization during the period under review. Separate release was issued on 15 September 2017 on the changes. The changes concern the division of markets for which area directors and managing directors of subsidiaries are responsible, as well as changes in the responsible persons.

The geographical distribution and the responsible persons are presented below:
Northern Europe:
Jani Liukkonen (Finland),
Carl-Henrik Hammar (Sweden, Denmark),
Jussi Hentunen (the Baltic countries) and
Sigurd Skotte (Norway),

Central and Southern Europe:
Tuomo Moilanen (Germany and Austria),
Clément Puybaret (France),
Janne Tarvainen (Spain and Portugal),
Gary Glendinning (the United Kingdom, Ireland, Hungary, Romania, Slovenia, Croatia and Serbia) and
Jussi Hentunen (Poland, Czech Republic and Slovakia).

Russia and Asia:
Jaakko Laurila (Russia and Belarus),
Janne Tarvainen (Australia and South Africa) and
Risto Kääriäinen (China and Japan),

North and South America:
Pekka Ruuskanen (the United States),
Eero Lukkarinen (Canada),
Marko Mattila (Brazil) and
Martin Toledo (Uruguay, Chile and Argentina).

PERSONNEL

The Group had an average staff of 1,498 (1,428) during the period and employed 1,525 (1,456) people at period-end.

SHARE PERFORMANCE

The company's registered share capital consists of 28,000,000 shares. The trading volume of Ponsse Plc shares for 1 January – 30 September 2017 totalled 1,778,437, accounting for 6.4 per cent of the total number of shares. Share turnover amounted to EUR 41.4 million, with the period's lowest and highest share prices amounting to EUR 20.85 and EUR 25.73, respectively.

At the end of the period, shares closed at EUR 23.85, and market capitalisation totalled EUR 667.8 million.

At the end of the period under review, the company held 33,092 treasury shares.

ANNUAL GENERAL MEETING

A separate release was issued on 11 April 2017 regarding the authorizations given to the Board of Directors and other resolutions at the AGM.

GOVERNANCE

In its decision-making and administration, the company observes the Finnish Limited Liability Companies Act, other regulations governing publicly listed companies and the company's Articles of Association. The company's Board of Directors has adopted the Code of Governance that complies with the Finnish Corporate Governance Code approved by the Board of the Securities Market Association in 2015. The purpose of the code is to ensure that the company is professionally managed and that its business principles and practices are of a high ethical and professional standard.

The Code of Governance is available on Ponsse's website in the Investors section.

RISK MANAGEMENT

Risk management is based on the company's values, as well as strategic and financial objectives. Risk management aims to support the achievement of the objectives specified in the company's strategy, as well as to ensure the financial development of the company and the continuity of its business.

Furthermore, risk management aims to identify, assess and monitor business-related risks which may influence the achievement of the company’s strategic and financial goals or the continuity of its business. Decisions on the necessary measures to anticipate risks and react to observed risks are made on the basis of this information.

Risk management is a part of regular daily business, and it is also included in the management system. Risk management is controlled by the risk management policy approved by the Board.

A risk is any event that may prevent the company from reaching its objectives or that threatens the continuity of business. On the other hand, a risk may also be a positive event, in which case the risk is treated as an opportunity. Each risk is assessed on the basis of its impact and probability. Methods of risk management include avoiding, mitigating and transferring risks. Risks can also be managed by controlling and minimising their impact.

SHORT-TERM RISK MANAGEMENT

The insecurity in the world economy may result in a decline in the demand for forest machines. The uncertainty may be increased by the volatility of developing countries’ foreign exchange markets. The geopolitical situation, in particular, will increase the uncertainty through financial market operations and sanctions.

The parent company monitors the changes in the Group’s internal and external trade receivables and the associated risk of impairment.

The key objective of the company’s financial risk management policy is to manage liquidity, interest and currency risks. The company ensures its liquidity through credit limit facilities agreed with a number of financial institutions. The effect of adverse changes in interest rates is minimised by utilising credit linked to different reference rates and by concluding interest rate swaps. The effects of currency rate fluctuations are mitigated through derivative contracts.

Changes taking place in the fiscal and customs legislation in countries to which Ponsse exports may hamper the company’s export trade or its profitability.

The risks in the supplier network may cause problems in material availability.

OUTLOOK FOR THE FUTURE

The Group's euro-denominated operating profit is expected to be slightly higher in 2017 than in 2016.

Company upgraded its outlook for the full financial year’s operating profit development by issuing the stock exchange release on 9 October 2017. The previous guidance stated the Group's euro-denominated operating profit to be at the same level in 2017 as it was in 2016.

Ponsse's strongly updated and competitive product range and service solutions have had a significant impact on the company's growth. The market situation has continued to be particularly positive and the demand for PONSSE forest machines has been better than expected towards the end of the year. The Russian market in particular is extremely brisk. The market situation in United States, in the Nordic countries and in Germany and France in Central Europe is also good.

Our investments are directed at development of the service level and capacity of the delivery chain and spare parts logistics and development of service business network both in Finland and abroad. The expansion of the Vieremä factory is progressing as planned on schedule. The construction work is soon to be finished and installation of the equipment has begun. The added benefits of the expansion will begin to be realised as planned, in the second half of 2018. The investment in the factory is related to the development of safety, productivity, product quality and capacity of the Vieremä factory. The total investment to the factory is approximately EUR 32 million.

PONSSE GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1,000)

	IFRS 1-9/17	IFRS 1-9/16	IFRS 1-12/16
NET SALES	398,289	349,856	517,400
Increase (+)/decrease (-) in inventories of finished goods and work in progress	17,850	14,080	2,346
Other operating income	1,206	1,348	1,915
Raw materials and services	-268,781	-234,546	-336,008
Expenditure on employment-related benefits	-57,088	-52,689	-73,879
Depreciation and amortisation	-9,666	-8,824	-11,905
Other operating expenses	-34,960	-32,223	-44,711
OPERATING RESULT	46,849	37,001	55,158
Share of results of associated companies	47	87	23
Financial income and expenses	-6,523	1,394	3,074
RESULT BEFORE TAXES	40,373	38,482	58,255
Income taxes	-10,304	-8,157	-12,543
NET RESULT FOR THE PERIOD	30,069	30,324	45,712
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	-1,096	561	1,554
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	28,973	30,885	47,266
Diluted and undiluted earnings per share*	1.08	1.08	1.63

	IFRS 7-9/17	IFRS 7-9/16
NET SALES	139,628	112,721
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-4,972	-3,159
Other operating income	276	475
Raw materials and services	-85,320	-70,065
Expenditure on employment-related benefits	-16,652	-15,844
Depreciation and amortisation	-3,307	-3,007
Other operating expenses	-11,016	-10,331
OPERATING RESULT	18,637	10,789
Share of results of associated companies	60	-9
Financial income and expenses	-944	-531
RESULT BEFORE TAXES	17,753	10,249

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Income taxes	-4,331	-2,852
NET RESULT FOR THE PERIOD	13,422	7,396
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:		
Translation differences related to foreign units	-578	-144
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	12,844	7,252
Diluted and undiluted earnings per share*	0.48	0.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

	IFRS	IFRS	IFRS
ASSETS	30 Sep 17	30 Sep 16	31 Dec 16
NON-CURRENT ASSETS			
Intangible assets	21,428	18,935	19,928
Goodwill	3,823	3,824	3,827
Property, plant and equipment	88,520	67,454	73,765
Financial assets	102	99	103
Investments in associated companies	769	844	781
Non-current receivables	1,559	2,393	2,340
Deferred tax assets	2,536	3,624	2,525
TOTAL NON-CURRENT ASSETS	118,737	97,173	103,269
CURRENT ASSETS			
Inventories	136,841	127,865	118,283
Trade receivables	43,233	34,868	35,933
Income tax receivables	414	517	859
Other current receivables	11,563	8,867	5,915
Cash and cash equivalents	24,079	18,380	37,342
TOTAL CURRENT ASSETS	216,131	190,498	198,332
TOTAL ASSETS	334,868	287,671	301,600
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	7,000	7,000	7,000
Other reserves	2,452	2,452	2,452
Translation differences	-338	-235	758
Treasury shares	-346	-346	-346
Retained earnings	153,221	124,544	139,932
EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS	161,990	133,415	149,796

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NON-CURRENT LIABILITIES			
Interest-bearing liabilities	47,853	48,567	46,653
Deferred tax liabilities	454	659	799
Other non-current liabilities	58	2	0
TOTAL NON-CURRENT LIABILITIES	48,365	49,228	47,452
CURRENT LIABILITIES			
Interest-bearing liabilities	26,341	21,258	13,462
Provisions *)	5,826	6,000	5,970
Tax liabilities for the period	1,889	1,976	2,043
Trade creditors and other current liabilities *)	90,457	75,795	82,877
TOTAL CURRENT LIABILITIES	124,513	105,028	104,353
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	334,868	287,671	301,600

*) Change in accounting principle, more information in the note 3.

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)

	IFRS 1-9/17	IFRS 1-9/16	IFRS 1-12/16
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net result for the period	30,069	30,324	45,712
Adjustments:			
Financial income and expenses	6,523	-1,394	-3,074
Share of the result of associated companies	-47	-87	-23
Depreciation and amortisation	9,666	8,824	11,905
Income taxes	10,304	8,157	12,543
Other adjustments	-2,131	-229	3,051
Cash flow before changes in working capital	54,384	45,596	70,114
Change in working capital:			
Change in trade receivables and other receivables	-12,791	5,815	7,437
Change in inventories	-18,558	-23,281	-13,699
Change in trade creditors and other liabilities	8,501	-4,402	2,777
Change in provisions for liabilities and charges	-88	1,773	1,216
Interest received	193	168	222
Interest paid	-534	-583	-953
Other financial items	102	-608	-468
Income taxes paid	-10,538	-9,579	-12,905
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	20,672	14,899	53,740

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CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-25,917	-17,891	-28,280
Proceeds from sale of tangible and intangible assets	119	88	198
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)	-25,798	-17,804	-28,082
CASH FLOWS FROM FINANCING ACTIVITIES			
Withdrawal/Repayment of current loans	13,365	10,000	2,220
Withdrawal of non-current loans	0	10	1,004
Repayment of non-current loans	-450	-2,143	-5,702
Payment of finance lease liabilities	1,163	131	191
Change in non-current receivables	734	-361	-1,396
Dividends paid	-16,780	-15,382	-15,382
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	-1,968	-7,745	-19,065
Change in cash and cash equivalents (A+B+C)	-7,095	-10,650	6,593
Cash and cash equivalents on 1 Jan	37,342	26,495	26,495
Impact of exchange rate changes	-6,169	2,534	4,254
Cash and cash equivalents on 30 Sep/31 Dec	24,079	18,380	37,342

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (EUR 1,000)
A = Share capital
B = Share premium and other reserves
C = Translation differences
D = Treasury shares
E = Retained earnings
F = Total shareholders' equity

	EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS					
	A	B	C	D	E	F
SHAREHOLDERS' EQUITY 1 JAN 2017	7,000	2,452	758	-346	139,932	149,796
Translation differences			-1,096			-1,096
Result for the period					30,069	30,069
Total comprehensive income for the period			-1,096		30,069	28,973
Dividend distribution					-16,780	-16,780
SHAREHOLDERS' EQUITY 30 SEP 2017	7,000	2,452	-338	-346	153,221	161,990
SHAREHOLDERS' EQUITY 1 JAN 2016	7,000	2,452	-796	-346	109,602	117,912
Translation differences			561			561
Result for the period					30,324	30,324

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Total comprehensive income for the period			561		30,324	30,885
Dividend distribution					-15,382	-15,382
SHAREHOLDERS' EQUITY 30 SEP 2016	7,000	2,452	-235	-346	124,544	133,415

	30 Sep 17	30 Sep 16	31 Dec 16
1. LEASING COMMITMENTS (EUR 1,000)	977	1,102	1,020

2. CONTINGENT LIABILITIES (EUR 1,000)	30 Sep 17	30 Sep 16	31 Dec 16
Guarantees given on behalf of others	522	532	549
Repurchase commitments	2,306	2,164	3,021
Other commitments	918	225	1,177
TOTAL	3,746	2,921	4,747

3. PROVISIONS (EUR 1,000)	Guarantee provision
Reported on 31 Dec 2016	7,336
Change in accounting principle	-1,366
1 January 2017	5,970
Provisions added	579
Provisions cancelled	-723
30 Sep 2017	5,826

The accounting principle concerning the provision has been changed as of 1 January 2017 so that the amount shown as guarantee provision equals the amount to which the Company is bound by the terms and conditions of the sales contract. The change has not had effect on the result.

KEY FIGURES AND RATIOS	30 Sep 17	30 Sep 16	31 Dec 16
R&D expenditure, MEUR	10.3	8.9	12.4
Capital expenditure, MEUR	25.9	17.9	28.3
as % of net sales	6.5	5.1	5.5
Average number of employees	1,498	1,428	1,435
Order books, MEUR	154.2	163.2	123.9
Equity ratio, %	50.2	47.4	50.3
Diluted and undiluted earnings per share (EUR)	1.08	1.08	1.63
Equity per share (EUR)	5.79	4.76	5.35

FORMULAE FOR FINANCIAL INDICATORS

Return on capital employed, %:
Result before tax + financial expenses

Shareholder´s equity + interest-bearing financial liabilities (average during the year) * 100

Average number of employees:
Average of the number of personnel at the end of each month. The calculation has been adjusted for part-time employees.

Net gearing, %:
Interest-bearing financial liabilities – cash and cash equivalents
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Shareholders' equity * 100

Equity ratio, %:
Shareholders' equity + Non-controlling interests

Balance sheet total - advance payments received * 100

Earnings per share:
Net result for the period - Non-controlling interests

Average number of shares during the accounting period, adjusted for share issues

Equity per share:
Shareholders' equity

Number of shares on the balance sheet date, adjusted for share issues

ORDER INTAKE (EUR million)	1-9/17	1-9/16	1-12/16
Ponsse Group	433.4	364.8	493.8

The stock exchange release for the interim report has been prepared observing the recognition and valuation principles of IFRS standards and all of the requirements of IAS 34 have been complied with. The same accounting principles were observed for the interim report as for the annual financial statements dated 31 December 2016.

The Group´s assessment of the impact of the new standards IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers” and IFRS 16 “Leases” are described in the annual financial statements dated 31 December 2016 and the assessment has not changed during the financial period.

The above figures have not been audited.

The above figures have been rounded and may therefore differ from those given in the official financial statements.

This communication includes future-oriented statements that are based on the assumptions currently made by the company's management and its current decisions and plans. Although the management believes that the future expectations are well founded, there is no certainty that these expectations will prove to be correct. This is why the results may significantly deviate from the assumptions included in the future-oriented statements as a result of, among other things, changes in the economy, markets, competitive conditions, legislation or currency exchange rates.

Vieremä, 17 October 2017

PONSSE PLC

Juho Nummela
President and CEO

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Ponsse Plc is a company specialising in the sales, manufacture, servicing and technology of cut-to-length method forest machines and is driven by genuine interest in its customers and their business. Ponsse develops and manufactures sustainable and innovative harvesting solutions based on customers' needs.

The company was established by forest machine entrepreneur Einari Vidgrén in 1970, and it has been a leader in timber harvesting solutions based on the cut-to-length method ever since. Ponsse is headquartered in Vieremä, Finland. The company's shares are quoted on the NASDAQ OMX Nordic List.